DOCUMENT RESUME

ED 067 173 RC 006 417

TITLE	Second Annual Report on Government Services in Rural America. Message from the President of the United States Transmitting the Second Annual Report on Government Services in Rural America, Pursuant to the Agricultural Act of 1970.
INSTITUTION	Executive Office of the President, Washington, D.C.
REPORT NO	HD-92-287
PUB DATE	72
NOTE	42p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Agriculture; *Annual Reports; *Federal Programs; Human Services; Population Education; Relocation; Resource Allocations; *Rural Urban Differences; Statistical Surveys; *Tables (Data)

ABSTRACT

As required by the Agricultural Act of 1970, the President has submitted to Congress this second annual report on the availability of government and government-assisted services to rural areas. The report pinpoints the strengths and weaknesses of those Federal programs which have a significant impact on rural America and identifies the Administration's efforts to remedy existing deficiencies. Emphasis in this report is given to (1) income and population trends in relation to objectives for balanced growth; (2) the relationship of geographical distribution of Federal outlays to the patterns of population and income change; (3) an evaluation of the allocation of Federal outlays between rural and urban areas with particular reference to education, manpower, health, and welfare services; and (4) recent changes in the allocation of Federal outlays between rural and urban areas. Overall, Federal outlays to urban and rural areas are allocated approximately in relation to the urban-rural populations ratio. It is concluded that some rural areas experienced significant increases in population and income in the past decade, and many did so without the stimulus of added Federal aid. Others declined in population and income despite continued Federal spending in those areas. The recommendations include broadening and expanding rural credit payments to include guaranteed and insured loans for community facilities and establishing industrial and commercial job-creating facilities in rural areas. (HBC)

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92d Congress, 2d Session

House Document No. 92-287

ED 067173

SECOND ANNUAL REPORT ON GOVERNMENT SERVICES IN RURAL AMERICA

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MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE SECOND ANNUAL REPORT ON GOVERNMENT SERVICES IN RURAL AMERICA, PURSUANT TO THE AGRICULTURAL ACT OF 1970

MAY 2, 1972.—Message and accompanying papers referred to the Committee on Agriculture and ordered to be printed.

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1972

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RC006417

LETTER OF TRANSMITTAL

To the Congress of the United States:

Today, I am transmitting the Second Annual Report on Government Services to Rural America, as required by the Agricultural Act of 1970.

RICHARD NIXON.

THE WHITE HOUSE, *May 2, 1972.*

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Summary

This is the second annual report to the Congress submitted by the President on the "availability of government and government-assisted services to rural areas" as required by Section 901(e) of the Agricultural Act of 1970. The report pinpoints the strengths and weaknesses of those Federal programs which have a significant impact on rural America, and identifies the Administration's efforts to remedy existing deficiencies.

During the 1960's the trends continued whereby rural counties and many central cities lost population and the suburban areas mushroomed. The forces responsible for these trends are also the forces responsible for overall national economic progress. Technological advances in agriculture have greatly reduced labor requirements so that only one farm worker is required in the production of food and fiber for 40 Americans. Although the Nation has benefited by this progress, many rural people and their communities have not. Rural areas contain one-third of the country's population and encompass 90 percent of the land area, but they contain half the poverty, almost two-thirds of the substandard housing, and receive only one-fourth of the income.

Since 1950, there have been significant increases in the concentration of population of our land area. In 1950, 10 percent of our most densely populated counties contained about two-thirds of our population. By 1970, they held almost 72 percent of our population. From a slightly different perspective, we find that 70 percent of our total population lives in urban residential areas which account for only 2 percent of the land area.

Personal income is more concentrated geographically than population, reflecting the fact that urban people have higher incomes than rural people. However, rural counties experienced a faster growth of per capita income from 1959 to 1967 than urban counties.

Although there are some encouraging elements in the developmental trends of rural America, achievement of this Administration's commitment to a sound balance between rural and urban America will neither be easy nor inexpensive. But the long-run payoffs could be substantial. The forces generating the imbalances are formidable and persistent. Attainment of a healthy population distribution will take years, perhaps decades, to accomplish. Nevertheless, some progress can be registered immediately. Proposals and recommendations in this report are consistent with such objectives.

This report includes programs which account for $178 billion (or 84.4 percent) of the $211 billion in total Federal outlays for FY 1971. It does not include those classes of expenditures which have only a minimal impact on rural development. The statistical basis for the analysis of a geographical distribution of Federal programs was Federal program outlay data compiled by the Office of Economic Opportunity, expressed on a per capita basis. These data are the most comprehensive and conveniently available. Yet they measure effort rather than accomplishment which would be a more desirable measure.

On the basis of the rural definitions in the proposed rural revenue sharing, Federal outlays were distributed as follows:

	Population		Outlays			
	1970		1970		1971	
	Millions	Percent	Bil. dol.	Percent	Bil. dol.	Percent
Urban	130	64	105	66	117	65
Rural	73	36	55	34	61	35
Total	203	100	160	100	178	100

Thus rural areas receive a share of Federal outlays approximately in proportion to the rural-urban population ratio. Further, the 1971 ratio shifted slightly in favor of rural areas, compared to 1970.

A wide variation exists in the geographical pattern of per capita outlays, for individual programs, usually reflecting program aims. The rural-urban geographical incidence of Federal outlays per capita is influenced by such factors as the location of eligible recipients of program services, location of physical conditions the programs are intended to modify, administrative and program efficiency in relation to population concentration or density, local leadership in acquiring the services of Federal programs, and the nature and extent of State or other participation.

Generally, total outlays for farm programs relate to areas that produce products included in the programs--wheat, feed grains, cotton, tobacco, dairy, etc.

Except for the Appalachian region and rural New England, there does not appear to be a geographical pattern disadvantageous to rural people in regard to housing and community development programs.

Federal outlays for programs of the Economic Development Administration and the Small Business Administration vary widely within rural areas.

Smaller urban centers appear to be the major beneficiaries of manpower programs. Within rural America, manpower program services seem to be directed to selected areas of high incidence of rural poverty--Indian reservations, Appalachia, areas of migrant laborers, etc.

Health program outlays and education program outlays are more urban than rural in orientation but vary widely geographically.

Department of Defense outlays tend to concentrate in urban areas.

The inherent characteristics of programs divide them into these categories:

1. Strongly urban, including model cities and urban renewal.

2. Moderately urban, including manpower, health, and education programs.

3. Neither rural nor urban, such as Social Security and veterans' pensions.

4. Moderately rural, including Economic Development Administration and Appalachian and other regional commission programs.

5. Strongly rural, including farm commodity, rural housing, rural community development, forestry, conservation, and outdoor recreation programs.

A new approach to the delivery of social services is needed. Executive reorganization is an important first step in this direction.

Over the long run, achieving a rural-urban balance in human resource program services should receive the highest priority.

These programs include:

Education. Rural people have not had as much schooling as urban people. There is an administrative problem of delivery of Federal educational funds to rural people, especially the poor. Implementation of the Administration's revenue sharing proposals would help overcome the disparity in local support of education.

Manpower. Directed chiefly at the disadvantaged, manpower programs tend to be concentrated somewhat more in urban areas than in rural areas. Because it is important to tie job opportunities to job training, adoption of rural community development reorganization and revenue sharing proposals would increase the usefulness of manpower programs in rural America.

Health Services and Facilities. Rural areas contain more than half of the Nation's chronically ill, yet only 17 percent of expenditures by health agencies of the Department of Health, Education and Welfare in FY 1970 were in nonmetropolitan areas. Proposed legislation would do much to reduce medical costs and assure medical services to rural people.

Welfare Aid. The growing proportion of our people on welfare reveals the weaknesses in our systems. Generally, States with lower payments per recipient have a higher proportion of rural people.

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The Administration's proposals for welfare reform would go far toward alleviating the deficiencies in current welfare programs and eliminating the discrepancy in levels of support of eligible rural people.

Although significant improvements have been made in the delivery of Federal program services to rural people, some further progress is needed to provide rural people with an equitable share of human resource program services. The attention of the Congress should be given to this Administration's proposals for welfare reform, health legislation, and revenue sharing for education, manpower training, and rural development.

INTRODUCTION

This second annual report on the availability of government and government assisted services to rural areas has been prepared in response to Section 901 (e) of the Agricultural Act of 1970 (footnotes are in Appendix at end of the report). It is complementary to the President's recent message on Rural Development and the National Growth Policy Report. It is designed to explore in greater depth those Federal programs which have a significant impact on rural areas 1/, and to identify those Administration actions and proposals which are designed to remedy existing deficiencies.

Emphasis in this report is given to:

(1) Income and population trends in relation to objectives for balanced growth

(2) Relationship of geographical distribution of Federal outlays to the patterns of population and income change

(3) An evaluation of the allocation of Federal outlays between rural and urban areas with particular reference to education, manpower, health, and welfare services

(4) Recent changes in the allocation of Federal outlays between rural and urban areas

INCOME AND POPULATION TRENDS

In his State of the Union Address of 1969, President Nixon said:

> "Vast areas of rural America have been emptied of people and promise, while our central cities have become the most conspicuous area of failure in American life."

The 1970 Census of Population has supported that statement.

About 44 percent of the Nation's counties lost population during the past decade. Many central cities also lost population during 1960-1970.

Yet major population gains occurred in the suburbs of large metropolitan areas.

Concentration of about three-fourths of the Nation's people in city-strips along the Atlantic, Pacific, Gulf and Great Lakes shorelines appears certain if recent trends continue.

THE FORCES OF NATIONAL PROGRESS

The forces behind such population shifts in the past 20 to 30 years are the same forces which brought us national economic progress. Technological advances in rural industries, especially farming, have drastically reduced their labor requirements. Fewer people are required in farming, mining, and other rural industries to supply the national and export demands for food, fiber, coal, and other natural resource products, more people are freed for employment in manufacturing and services industries which also enhance national progress.

Currently, only about one farmworker produces the food and fiber for 40 other Americans.

The Nation has benefited by this progress, but many rural communities have not. Many rural areas now lack the vitality to provide adequate

Some of the more obvious effects of the technological and economic forces underlying the migration patterns are rural areas with many dilapidated houses, rural populations with low educational levels, a dearth of educational opportunities, and rural people isolated from the advances in health, social, cultural and economic opportunities experienced by other Americans.

POPULATION AND INCOME TRENDS

Some trends in population and income concentration can be seen in table 1:

> Since 1950, the percent of total population has declined slightly in that 1 percent of the land area which was most densely settled. This means there was a faster national population growth than a population increase in the central cities. Population in some central cities declined in that period. Yet significant increases occurred when measured by proportions of population occupying the top 5, 10 and 25 percent of the land area in density of settlement. Also, the Gini ratios, depicting the degree of concentration, increased each decade after 1950. (The measures cited are based upon whole counties -- or independent cities -- as units of space).

By including only urban residential areas of counties, the urban population of the Nation -- more than 70 percent of the total -- occupies about 2 percent of the land area.

The concentration of the urban population on 2 percent of the land area does not, in itself, warrant major concern. Because of the way settlement occurs in urban communities, the urban population will always require a small percent of our land area for residential use.

The problem, rather, relates to the distribution of sizes of cities within the urban space. Most of the urban people reside in a small percent of the urban places -- those metropolitan areas with population exceeding a million each.

> Personal income was more concentrated in space than population, especially in 1950 and 1960 (1959), but the increase in this concentration was slight after 1950. Thus, the trends in geographical dispersion of people and income have differed, although the direction of change is the same. The greater concentration of income than population in space reflects the higher per capita incomes of urban than rural people. It also may reflect better income earning opportunities and/or a higher cost of living in urban than in rural areas.

During the sixties, the national population increase was 13.3 percent, yet more than half of the rural counties lost population. The losses occurred more frequently in the sparsely settled rural counties (table 2).

INCOME VARIES IN RURAL COUNTIES

Interestingly, about three fourths of the sparsely settled rural counties with population losses showed per capita income gains exceeding the national rate of increase during 1959-67. It was those 212 sparsely settled rural counties with population losses and increases in per capita in income below the national rate that were the most adversely affected by the trends. In addition, the 92 counties in the densely settled rural group

Table 1.--Measures of Concentration of Population and Personal Income in the Continental United States for Selected Years During 1950-1970 1/

Proportion of land area according to density of population or income	Population			Personal Income 2/		
	1950	1960	1970	1950	1959	1967
	Percent of Total					
Top 1 percent.....	35.6	35.5	34.9	34.0	34.2	34.8
Top 5 percent.....	56.8	59.1	60.8	62.6	63.9	63.9
Top 10 percent.....	67.2	70.2	71.8	75.3	77.2	77.2
Top 25 percent.....	82.8	84.9	86.3	88.2	89.8	90.0
Top 50 percent.....	95.3	95.8	96.3	96.3	97.0	97.2
Gini ratios 3/	.769	.789	.802	.810	.826	.828
Total 4/ millions.....	Number			Dollars		
	150.6	178.5	202.1	226,672	380,936	621,591

1/ Geographical units were counties and independent cities except for personal income, for which it was necessary to include some multiple-county areas as units.

2/ Estimates of personal income by counties were not available for the Census years of 1960 and 1970. The 1959 personal income data is based upon data from the Census of Population for 1960. The 1967 data on personal income were the most recent available with the detail required for this analysis, at the time these measures were developed. These were unpublished data from the Regional Economic Information System of the Bureau of Economic Analysis, Department of Commerce.

3/ Gini ratios are measures of degree of concentration, whereby zero would be no concentration, or equal distribution, and unity would be the maximum concentration, or inequality.

4/ Continental U. S. only.

Table 2.--Change in Income and Population for Selected Groups of Counties in the Continental United States

County group	Change in per capita income, 1959-67	Change in population, 1960-1970				Total	
		Decrease		Increase			
		Number of counties	Percent of all counties	Number of counties	Percent of all counties	Number of counties	Percent of all counties
Urban[1/]	Less than national rate	12	0.39	194	6.32	206	6.71
	More than national rate	21	0.68	107	3.49	128	4.17
Densely Settled Rural[2/]	Less than national rate	92	3.00	306	9.97	398	12.97
	More than national rate	236	7.69	456	14.86	692	22.55
Sparsely Settled Rural[3/]	Less than national rate	212	6.91	276	9.00	488	15.91
	More than national rate	777	25.33	379	12.35	1,156	37.68
Total		1,350	44.00	1,718	56.00	3,068	100.0

1/ Standard Metropolitan Statistical Area (SMSA) counties with population density exceeding 100 people per square mile.

2/ Other SMSA counties and other counties with population exceeding 50 people per square mile and more urban than rural residents for counties with less than 50 persons per square mile.

3/ Less than 50 persons per square mile and less than 50 percent of residents urban.

with population losses and a lag in income increases reflect, to some extent, the adverse consequences of these trends.

Of the 3,068 counties, only 304 rural counties both lost population and experienced per capita income increases less than the national rate. In 1970, the population of those counties was 4,145,338, down from 4.5 million in 1960.

It is encouraging to note that in a higher proportion of rural than urban counties per capita incomes are increasing faster than the national rate. As noted above, about three-fourths of the counties classified as "sparsely settled rural" had per capita income gains exceeding the national percent gain during 1959-67. Only 38 percent of the "urban" counties had per capita income gains in excess of the national percent increase. Although these are percentage increases rather than dollar amounts, and, as a whole, the dollar increments still are lower for rural than urban people, the income trends are encouraging.

Per capita income within the three groups of counties in 1959 and 1967 were as follows:

	1959 Amount	1967 Amount	Change, 1959-67 Amount	Change, 1959-67 Percent
Urban (334 counties)[1/] ...	$2,461	$3,552	$1,091	44.3
Densely settled rural[1/] ... (1,090 counties)	1,723	2,596	873	50.7
Sparsely settled rural[1/] .. (1,644 counties)	1,312	2,076	764	58.2
Continental U. S.	2,135	3,149	1,014	47.5

1/ See table 2.

The Agricultural Act of 1970 expresses a commitment to a sound balance between rural and urban America. Section 702 (d) of the Housing and Urban Development Act of 1970 expresses a similar commitment. Achievement of such objectives will be neither easy nor inexpensive, but the long-run payoffs could be substantial.

BALANCED DISTRIBUTION TAKES TIME

The forces generating the imbalances are formidable and persistent. A balanced geographical distribution of population or income will take years, perhaps decades, to achieve, but progress can be registered immediately.

The policies and programs adopted for these purposes should be geared to long-term objectives. Proposals and recommendations contained in this report reflect such objectives.

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GEOGRAPHICAL DISTRIBUTION OF FEDERAL OUTLAYS

This report covers programs which account for $178 billion of the $211 billion in total Federal outlays for FY 1971. It does not include those classes of expenditures which have only an insignificant impact on rural development.

For the Federal programs covered in this report, total Federal outlays 2/ per capita generally are only slightly higher in urban than in rural areas, as indicated in the table below.

On the basis of definitions in the proposed legislation for Special Revenue Sharing for Rural Development, the following are the 1970 population and most FY 1970 and 1971 Federal outlays (in millions of people or dollars):

	Population, 1970		Federal Outlays			
			1970		1971	
	Number	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Total	203.2	-	$159,846	-	$178,022	-
Urban	130.5	64.3	105,180	65.8	116,529	65.5
Rural	72.7	35.7	54,666	34.2	61,493	34.5

In the aggregate, rural areas receive a share of Federal outlays approximately in proportion to the rural-urban population ratio. Further, the 1971 ratio shifted slightly in favor of rural areas as compared to the 1970 ratio.

REGIONAL VARIATIONS

Much of the sparsely populated rural areas of the Western States have high-level outlays per capita (more than the national average). These high per capita outlays occur for a number of reasons:

> Federal outlays per capita for a number of programs are relatively high for American Indians, and counties with high concentrations of these people, but otherwise sparsely populated, will exhibit high per capita outlays. Similarly, some areas of migrant farm workers and Mexican-Americans in the West receive relatively high per capita Federal outlays for manpower, and related program services.

High per capita outlays from farm programs occur in the sparsely settled commercial wheat production counties in the Great Plains and Pacific Northwest, and in irrigated cotton areas of the West and Southwest.

Department of Defense, and other Federal installations in sparsely settled counties of the West produce high per capita Federal outlays for the local population. Public land management expenditures by the Departments of the Interior and Agriculture have similar effects. These conditions result in higher per capita Federal outlays in the group of more sparsely populated rural counties than in the more densely populated rural counties.

The overall general per capita distribution of total Federal outlays is high in urban areas and in the sparsely settled rural areas, and low in the more densely settled rural areas.

FARM PROGRAMS

The distribution of total outlays for farm programs in FY 1970 (the latest figures available) corresponds generally to the areas of commercial production of products included in the programs (wheat, feed grains, cotton, tobacco, dairy, etc.). Per capita outlays for these programs may be low in counties of high commercial production but with a high proportion of nonfarm residents. Examples of this can be observed in the Midwest and Pacific Coast States. Appalachia, the Northeast, the Ozark region, the Upper Great Lakes region, and much of the Rocky Mountain region receive a smaller than average per capita share of farm program outlays.

COMMUNITY DEVELOPMENT

A wide variation exists in the geographical pattern of per capita outlays for housing and community development programs of the Departments of Agriculture and Housing and Urban Development. The President has proposed that these program elements be transferred to the proposed Department of Community Development. Some rural counties, especially in the West and in the South, receive relatively high per capita outlays for these programs. Except for the Appalachian region and rural New England, there does not appear to be a geographical pattern that is disadvantageous to rural people.

ECONOMIC DEVELOPMENT AND SMALL BUSINESS

Programs of the Economic Development Administration (EDA) and the Small Business Administration (SBA) are more rural than urban in orientation, but Federal outlays per capita vary widely within rural areas. Except for the new Public Works Impact Program which targets on high unemployment areas, EDA program services are limited to those counties or groups of counties designated as economic development districts or redevelopment areas. Although SBA programs are not limited to specific geographical areas of eligibility, about one-third of U.S. counties received little or no Federal outlays for these programs in FY 1970. Year-to-year variations in geographical locations of SBA loans may be high, however.

MANPOWER PROGRAMS

Although the national summary of outlay data for manpower programs indicates a high degree of concentration of these program services in urban areas, per capita outlays for these programs are not exceptionally high in the major metropolitan centers. Manpower program expenditures may be concentrated in low income portions of major metropolitan areas, but not in the suburbs of these areas.

The smaller urban centers appear to be major beneficiaries of manpower programs.

Within rural America, manpower program services seem to be directed to selected areas of high incidence of rural poverty -- Indian reservations, Appalachia, areas of migrant laborers, etc.

HEALTH AND EDUCATION

Health program outlays and education program outlays, although more urban than rural in orientation, exhibit per capita geographical patterns highly variable within both urban and rural areas.

In contrast, outlays for income maintenance programs (social security, public assistance, veterans' pensions, etc.) are distributed geographically approximately as population is distributed, which results in but little variation in geographical distribution of outlays per capita. The distribution of health, education and welfare program services will be discussed in more detail later in this report.

DEFENSE

The Department of Defense outlays tend to be concentrated in some of the urban areas and in a few rural locations. Most of the counties, especially the rural counties, receive an insignificant portion of these outlays.

GEOGRAPHICAL IMPACT

Although few Federal programs have been created for the major purpose of contributing to the expressed objective of rural-urban balance, most Federal programs are not neutral in respect to geographical impacts. Witness the influence of the National Aeronautics and Space Administration on employment in Huntsville and Houston, or of the Atomic Energy Commission on the population of Oak Ridge, or of the Department of Defense procurement programs on economic activity in Seattle and Los Angeles, or of the Interstate highway programs on the location of tourist facilities.

Such geographical impacts are seldom counted as either benefits or costs of the programs. Nevertheless, gaining an understanding of the geographical effects of the Federal programs in terms of population distribution, income, employment or environmental quality is worthwhile.

The geographical impact of a program cannot always be measured merely by listing where the Federal share of the program was distributed. Too many other factors are involved: State, local and private groups have inputs, services cannot be measured in the same way as capital outlays, loans do not show the full size of a project, the impact of spending spreads beyond the point of delivery, etc. Such limitations must be kept in mind during any analysis relating geographical distribution to rural-urban balance.

FACTORS AFFECTING DISTRIBUTION

Many factors influence the rural-urban geographical incidence of Federal outlays per capita such as:

*the location of eligible recipients of program services

*location of physical conditions the programs are intended to modify

*administrative and program efficiency in relation to population concentration or density

*local leadership in acquiring the services of Federal programs

*and nature and extent of State or other participation.

Five patterns of rural-urban allocations of outlays per capita in relation to these program attributes are as follows:

1. Strongly urban in orientation. Model cities and urban renewal are examples of programs with legal specifications of target groups or areas causing outlays to be heavily concentrated in the more urban areas. Administrative and program efficiency considerations, as well as local leadership, also contribute to the concentration of outlays for these programs in the larger urban centers. Other examples of programs with strong urban orientation are the procurement programs of the Department of Defense (because of efficiency considerations or lack of alternatives).

2. Moderately urban in orientation. Higher per capita outlays in urban than in rural areas for many Federal programs result from considerations of program needs rather than any geographical dimension to program purposes. Examples are many of the manpower, health and educational programs. Welfare programs may produce this kind of outlay pattern because they are joint Federal-State programs with outlays dependent upon State contributions and criteria, and States with low contributions per welfare recipient happen to be the more rural States. Outlays for higher education programs will have a rural-urban allocation generally in accordance with the rural-urban attributes of counties where these institutions are located. This allocation is moderately urban in orientation.

3. Neither rural nor urban in orientation. Programs resulting in about an equal allocation of outlays per capita among rural and urban areas, assuming the program target group numbers bear the same ratio to total population in each area, are for people rather than for areas, and efficiency in delivery of program services is not affected by population density. Examples of programs with these attributes are Social Security and veterans' pensions.

4. Moderately rural in orientation. The legal specifications of some programs favor a higher incidence of outlays in rural than in urban areas, because the target populations are proportionally higher in rural areas. Examples are a higher proportion of rural than urban areas (or people) eligible for Economic Development Administration programs and programs of the Appalachian and other regional commissions.

5. Strongly rural in orientation. Two kinds of program specifications will result in outlays per capita strongly rural in orientation:

   (a) Eligible recipients are primarily rural

   (b) Physical conditions to be altered are located in rural areas

   Farm commodity programs, rural electric, USDA rural housing and rural community water and sewer development, are examples of the first. Certain natural resource development or management programs, such as soil conservation, small watershed development, tree planting, outdoor recreation, or national parks, are examples of the latter. Some large-scale construction projects, such as interstate highways or Corps of Engineers reservoirs, although located in rural areas, may result in outlays more urban than rural in orientation because of the urban location of construction companies and labor forces capable of carrying out these activities.

NEW APPROACH NEEDED

A new approach to the delivery of social services is needed. Overhauling the machinery of government -- Executive reorganization -- is the first and most important step in this process. It is more difficult to reach rural than urban people with rigid and narrow categorical programs.

The second step proposed by this Administration is revenue sharing which permits substantially increased decision-making by States and local units of government in the use of Federal funds.

Where population is more sparse the need for consolidation and coordination of related programs is greatest, especially for human resource programs. Some specific potentials of improving the rural-urban allocation of human resource program services will be discussed in subsequent sections of this report.

HUMAN RESOURCE PROGRAM SERVICES PROVIDED RURAL PEOPLE

In this section special emphasis is placed on the availability of human resource services to rural people. These programs provided a great challenge and opportunity in meeting the needs of rural people. A long-run objective of achieving rural-urban balance demands that the highest priority be given to achieving a balance in human resource program delivery.

Educational Services

Education is among the most important and expensive of the public services provided people. It is an important determinant of the welfare of people throughout their lives. It has impact on the economic and social development of an area. And, it constitutes the largest single area of expenditure of local government--comprising 56 percent of the expenditures of all local governments in non-SMSA areas in 1967. Federal outlays in rural areas totaled $1,504 million in FY 1970 and $1,506 million in FY 1971. 3/

Despite these facts, data on the adequacy of education in rural areas are sparse and inconclusive. A major problem is lack of adequate means of measuring changes in educational attainments of people per unit of expenditure in different geographical locations. This is the main reason the focus generally is on imputs, or outlays, when evaluating educational services provided. The major problem evaded by this approach is the quality of education.

A study of educational expenditures in U.S. counties according to relative income status indicated that expenditures per child in the poorest 10 percent of the counties in 1967 were only about one-third of the expenditures in the most affluent 10 percent. 4/ In 1967-68, nonmetropolitan area elementary and secondary schools had total outlays of $463 per student, compared with just $600 per student in metropolitan areas. Expenditures per teacher tells a similar story -- $10,780 in nonmetropolitan areas and $13,755 in metropolitan areas. The study which developed these data did not consider possible differences in purchasing power of given outlays in urban and rural areas. The limited evidence available indicate the differences in investment per pupil between rural and urban areas are not due to a difference in attitudes or effort to support public education. In terms of the ratio of levels of local funding of schools and income of local residents, the effort is higher in rural than in urban areas. Expenditures in support of local schools in 1967 by local residents were 5.6 percent of personal income in rural areas as compared with 4.0 percent of personal income in urban areas.

Rural people have not had as much schooling as urban people. In 1970, 10.9 percent of the nonmetropolitan residents between the ages of 25 and 29 had no more than an 8th grade education. By comparison, only 6.3 percent of metropolitan residents in this age group had gone no further than the 8th grade. This difference is particularly marked for Negroes: 23.9 percent of the nonmetropolitan black population of 25-29 years of age had completed no more than the 8th grade, compared with 9.2 percent of their metropolitan

counterparts. 5/ The lower educational attainment of rural people also is related to several factors. In part, this probably results from somewhat lower quality schools. Furthermore, migration is selective in respect to age and education, and rural areas experiencing a heavy outmigration of young people also are experiencing a loss of those youths with the higher levels of education. Thus, the migration patterns could have contributed to the differences in educational levels cited above of those 25-29 years of age.

According to Statistics of Local School Systems developed in the Office of Education, nonmetropolitan area districts obtained nearly 10 percent of their revenue receipts from Federal sources, as compared with 8.4 percent in central metropolitan areas and 5.5 percent in other metropolitan areas. However, as cited earlier, the receipts (and expenditures) per pupil are less in nonmetropolitan or rural areas. Most of the Federal money for elementary and secondary education is Title I, with educationally deprived children (or children from low-income families) the target group. Although nonmetropolitan areas have about half of all children of school age from families below the poverty level, these areas received only about 42 percent of the outlays for Title I of the ESEA in FY 1970. Nonmetropolitan areas received about 23 percent of the remainder of ESEA funds, yet more than one-third of the school-age children are in these areas. Clearly, there is an administrative problem of delivery of Federal educational funds to rural people, especially the rural poor. This also is exhibited by delivery of other program services to low-income families, with nonmetro areas getting 36 percent of Headstart and follow-through funds, 24 percent of aid to families with dependent children, and 20 percent of all child-welfare services.

However, solving this problem of disparity in allocation of Federal outlays for education will not solve the disparity in educational opportunities of rural and urban youth. The basic support of elementary and secondary school systems is by local and State governments. The Federal share is less than 10 percent. Thus, the major part of the disparity in educational opportunities between rural and urban youth relates to State and local outlays for rural and urban school systems. The wealthier communities which are primarily urban, can (and do) provide more support to local schools than do the poor communities.

Much of this kind of disparity in local support of education could be eliminated by implementation of this Administration's revenue sharing proposals, especially the special revenue sharing for education. In addition, recent studies by the President's Commission on School Finance indicate the urgency in finding new sources of revenue for financing local schools. Property taxes as the now sole source of this support are neither adequate nor tolerable. Recent court decisions in California, Minnesota, New Jersey and Texas relating to the financing of schools through local property taxes further accentuates the problem. Recommendations to the Congress on this matter will be made in the near future. Other measures of special significance in education of our rural youth would be those implementing rural development, for, without strong local economies, there seldom can be strong local school systems.

Federal outlays for vocational education, libraries, education of the handicapped, and educational research and training also favor urban (metropolitan) areas. Less than 25 percent of these outlays go to nonmetropolitan areas, as indicated by the available information, whereas 35 percent to nonmetropolitan would be a share proportional to population distribution. However, a large portion of these funds are allocated to States on a formula or population basis, and the States, in turn, allocate the funds to counties. Information is not available on the criteria used by States for the distribution of such Federal funds.

Manpower Services

Manpower programs have been directed chiefly at aiding the poor and the disadvantaged because these groups are least likely to receive training from other sources. Manpower policy begins with basic elements of general and vocational education in the elementary and secondary schools. It continues with additional training for specific jobs and careers.

Manpower programs are designed primarily to serve those with educational, health or other deficiencies which place individuals at a disadvantage in the labor market. Federal outlays in rural areas increased from $484 million during FY 1970 to $591 million in FY 1971, an increase of over 20 percent.

WIDE RANGE OF ACTIVITIES

Manpower programs embrace a wide range of activities to help people move toward improved employment and income, including

-- Recruitment, counseling, testing, placement, and followup services

-- Instruction in both remedial education and occupational skills

-- On-the-job training

-- Work experience, special short-term employment, and transitional public service employment

-- Child care, relocation assistance and minor health services

In 1970, about one-third of the enrollees in manpower training programs were either receiving public assistance, or were members of families receiving this assistance. A large proportion of these were enrolled in the Work Incentive Program (WIN). Also, the population served by the manpower training programs in 1970 had less than a high school education, nearly half were members of minority groups, and nearly half were women.

Manpower programs tend to be somewhat more concentrated in urban rather than in rural areas because

-- Urban areas can provide a better potential for tying job opportunities to job training. Rural areas frequently lack a comprehensive development strategy which would provide this linkage.

-- An essential requirement of an efficient manpower program is a sufficient concentration and number of potential trainees to provide a range of trained skills for employment in a variety of job opportunities. The sparse population of some rural areas can make attainment of this requirement quite difficult.

These reasons for the present high degree of concentration of manpower services in urban areas would diminish in importance with:

(a) achievement of high rates of economic growth in rural areas

(b) coordination of delivery of manpower program services with this growth

(c) development and application of some innovative and low cost systems of delivery of manpower services to rural people.

Implementation of this Administration's proposals for rural community development -- especially reorganization and revenue sharing -- will go far in providing for growth of rural areas. Implementation of revenue sharing with State and local governments, for both manpower services and rural development, will facilitate the delivery of manpower services in proper sequence with development efforts.

The Career Education Program also can have an important long-range influence on the employability of rural people.

DELIVERY TO RURAL PEOPLE

The Manpower Administration of the Department of Labor, in cooperation with other Federal agencies and States and local governments, has underway a number of programs for delivery of manpower services to rural people.

The smaller communities program for delivering employment services to rural people is operating in 19 States. Under this program, teams of State employment office specialists visit remote rural communities to interview, counsel, test, refer for training, and assist in job placement.

Another program -- the Ottumwa Plan -- has much potential as an element in State rural development programs. Under this plan, a main or central office for delivery of employment services located in a multicounty area is linked with feeder offices within the area for contacting those in remote areas in need of employment services. This experimental program is now in operation in 12 areas. Another pilot program with promise is Operation Hitchhike, in which employment services are delivered to rural people by way of other delivery systems. The Cooperative Extension Service is a major participant in this effort -- in a number of county offices, one person is spending full time on manpower programs.

OTHER PROGRAMS

Other training and Work experience programs include Operation Mainstream, Concentrated Employment Programs, and the Concerted Services in Training and Education (CSTE), and interdepartment effort that involves the Departments of Agriculture, Commerce, Health, Education, and Welfare, Housing and Urban Development, Interior, Labor, Office of Economic Opportunity, Small Business Administration, and the Regional Development Commission.

Other contributions to delivery of manpower services to rural people include the training projects linked to Economic Development districts, vocational educational components of the Appalachian regional development program, and OEO-supported projects for migratory and seasonal farm workers. The Department of Labor also has pilot projects which assist movement of rural people to locations of job opportunities.

The Job Bank Program, which provides information on available jobs, could be very beneficial to rural people when fully developed. One major reason for unemployment, underemployment, and low incomes of rural people is inadequate knowledge of the job market.

Manpower program services are presently geared more to the needs of urban people than to rural people. Yet, mobility assistance may be the major need of rural people as well as the central city poor. Also, rural people may be in greater need than urban people of remedial education to attain employment and income goals. The problems in providing rural people with adequate manpower services may relate more to providing the right kinds of services rather than to the general support level of a broad spectrum of manpower programs.

At this stage in our experience, we also need to learn more about the required mix of manpower services for rural people, the necessary levels of these services, and how to deliver the manpower services most efficiently to rural areas.

However, until job opportunities increase significantly in rural communities, manpower services will be less effective for rural than for urban people.

Health Services and Facilities

Federal outlays for health programs in rural areas totaled $931 million during FY 1970, as compared with $908 million during FY 1971. 6/

Available information indicates that rural people are in greater need of improved health services than urban people. The following indicators illustrate some of the health problems in rural areas: 7/

-- A larger proportion of rural people (about 26 percent) are afflicted by chronic illnesses than are urban people (about 15 percent).

-- A higher proportion of rural men (about 26 percent compared to 15 percent for urban men) have been rejected by the armed forces as physically unfit for military service.

-- A higher proportion of rural people (about 43 percent compared to 36 percent for urban people) have tooth and/or gum conditions warranting urgent and immediate dental treatment and care.

Part of this situation is due to a history of limited and lower quality health services and facilities available to rural people because of:

(1) the more limited financial capability of rural people to acquire needed health services and facilities, and

(2) the higher cost per capita of quality medical services and facilities in sparsely settled rural areas.

Also, urban people tend to have a greater awareness of health needs.

A number of studies indicate that rural people visit a doctor or dentist much less frequently than do urban people. The more limited accessibility of doctors and dentists in rural areas contributes to this fact.

When rural people do seek health care, they are more likely than urban people to be treated by general practitioners than specialists, and more likely to be treated by chiropractors or others than by medical doctors.

Many rural people seek medical attention only as a last resort.

Rural areas with both sparse populations and low incomes have the most difficulty in competing effectively in the medical marketplace. People in these areas seldom have convenient access to medical specialists and facilities. In contrast, areas of high incomes and dense populations are attractive to specialists and hospital-based physicians.

Hospitals in rural areas are smaller than those in urban areas, and they more often are inadequately staffed, poorly equipped, and lack outpatient and extended-care facilities. These hospitals also are less likely than urban hospitals to meet quality standards needed for accreditation. Yet, there could be a greater need to hospitalize rural rather than urban patients because of distances from hospitals to homes, lack of ambulances, and other factors.

FUNDING IN RELATION TO NEEDS

Rural areas contain about half of the Nation's poor and more than half of the chronically ill; yet only 17 percent of expenditures by health agencies of the Department of Health, Education, and Welfare in FY 1970 were for services to people in nonmetropolitan areas. Why?

Extension of Federal aid for medical facilities or services relates closely to the adequacy of existing facilities and services. In some cases, this may be due to specifications relating to quality standards. In other cases it relates to inadequate systems or the absence of systems for efficient delivery of Federal health aid to rural areas.

However, elimination of the disparity in the allocation of outlays of existing Federal programs among rural and urban areas for health facilities and services would be dealing mainly with symptoms rather than causes of the problem.

In many cases, a reallocation of funds would not be feasible until basic improvments are made in rural health facilities such as clinics and hospitals.

Since adequacy of community health services and facilities is closely related to income levels, bringing rural income to satisfactory levels through rural development is of very high priority.

The President's special message on health, February 18, 1971, outlines elements of a national health strategy. Bills have been introduced to implement the President's proposals. The Comprehensive Health Manpower Training Act and the Nurse Training Act, both signed by the President on November 18, 1971, have promise of increasing the Nation's supply of doctors, nurses, dentists, and other health professions.

These significant legislative advances in health facilities and services should be matched by those of the Health Maintenance Organization Assistance Act and by the National Health Insurance Partnership legislation. These proposed bills, when enacted will do much to reduce medical costs and assure medical services to rural people.

Welfare Aid and Assistance

Federal outlays for welfare in rural areas totaled $3,171 million during Fiscal Year 1970, increasing to $3,764 million for Fiscal year 1971.8/

Our large and growing proportion of the population on public welfare exposes weaknesses in our ability to prepare people for and maintain people in productive employment. It further exposes weaknesses in our educational systems, health programs and services, social attitudes, and manpower services. It focuses our attention on the need for fundamental reforms in our policies and programs for public assistance.

Old age assistance, aid to dependent children, aid to the handicapped, and related programs are cooperative programs of the Federal, State and local governments. States determine the standards for establishing need for each category of assistance, definitions of eligibility, and the level of payment based upon ability and willingness to finance the non-Federal share. The Federal government provides funds to States on a matching formula basis.

A PENALTY ON WORK

The formulas vary among programs, but a common feature of the State programs is a penalty on work by recipients. Work income of recipients is accompanied by a reduction in welfare payments.

The criteria in most States also forbids recipients to own productive property such as farmland, or to produce farm products for home consumption without penalty. Many needy farm families do not participate in the welfare programs because of their reluctance to sell or assign farm property, or to cease all farming operations, to qualify for regular levels of public assistance.

Generally, the States with the lowest per capita incomes have the highest proportion of their population in need of public assistance, but they provide the lowest levels of support per recipient. The variability in levels of public assistance per recipient among and within States is illustrated by the data in table 3.

Table 3.--Public Assistance Payments for States in "High Five" and "Low-Five" by Category of Assistance, February 1971 1/

State	Average payment per recipient (dollars)				
	Old age assistance	Aid to blind	Aid to permanently & totally disabled	Aid to Dependent children	General assistance
	-------STATES IN "HIGH-FIVE" IN ONE OR MORE CATEGORIES--------				
Alaska	136.45	177.65	174.25	70.40	2/
Calif.	115.25	159.35	138.85	2/	2/
D. C.	2/	2/	2/	2/	101.30
Hawaii	2/	2/	136.30	66.85	2/
Iowa	123.80	122.90	143.25	2/	2/
Md.	2/	2/	2/	2/	85.95
Mass.	2/	150.75	2/	69.15	2/
Minn.	2/	2/	2/	71.70	2/
N. H.	168.90	168.00	146.55	2/	2/
N. J.	2/	2/	2/	2/	130.70
N. Y.	2/	2/	2/	70.95	2/
Penna.	2/	2/	2/	2/	95.60
Wash.	2/	2/	2/	2/	81.55
Wisc.	110.95	2/	2/	2/	2/
	-------STATES IN "LOW-FIVE" IN ONE OR MORE CATEGORIES--------				
Ala.	3/	3/	49.60	15.20	3/
Ark.	3/	3/	3/	3/	5.65
Fla.	3/	3/	3/	24.10	3/
Ga.	52.60	67.05	3/	3/	3/
Ind.	3/	3/	58.30	3/	3/
La.	3/	3/	55.45	19.70	3/
Miss.	49.85	59.40	58.75	12.05	3/
N. C.	3/	3/	3/	3/	10.95
Okla.	3/	3/	3/	3/	7.85
S. C.	48.55	66.70	56.25	19.75	3/
Tenn.	50.70	69.95	3/	3/	10.60
Utah.	54.50	3/	3/	3/	3/
W. Va.	3/	67.30	3/	3/	12.05

1/ Taken from NCSS Report A-2 (2/71), Public Assistance Statistics, February 1971, U.S. Department of Health, Education, and Welfare, pp. 12-17.

2/ Not in high-five of category.
3/ Not in low-five of category.

In February 1971, old age assistance payments ranged from $58.55 per recipient in South Carolina to $168.90 in New Hampshire; aid to the blind ranged from $59.40 in Mississippi to $177.65 in Alaska; aid to permanently and totally disabled averaged $49.60 in Alabama and $174.25 in Alaska; and aid to dependent children was lowest in Mississippi, $12.05, and highest per recipient in Minnesota, $71.70. The levels of general assistance varied even more among the States, but this category differs among States in kinds or purposes of assistance, levels of Federal support, and completeness or accuracy of statistics for February 1971. It should be recognized that payments to recipients within categories vary somewhat among months within States, within changes in the case loads and other attributes of families assisted, or with changes in State or Federal laws governing levels or kinds of support.

VARIATIONS IN WELFARE PAYMENTS

Another illustration of the difference in welfare payments per recipient, as these relate to poverty, rurality, and percentage of total and poverty population receiving welfare, is shown in table 4. The five States with the highest incidence of poverty are compared with the five States with the lowest incidence of poverty.

About 30 percent of the poor in the States with the higher incidence of poverty receive welfare payments, compared with nearly 60 percent in the States with the lowest incidence of poverty. Welfare payment per recipient was about $36 in the States with a high incidence of poverty and about $56 in those with a low incidence.

States with the greater amount of poverty devoted a lower proportion of their personal income to support their welfare programs than did the States with the least poverty. The Federal share of the payment was much higher in the former group of States than in the latter.

Generally, States with the lower payments per recipient have lower per capita incomes, a higher incidence of welfare cases, and a higher proportion of rural people than do States with the higher payments per recipient. 9/ There are, of course, some important exceptions, such as Florida, an urban State with a high proportion of rural population but with high levels of public assistance per recipient.

REFORM NEEDED

To remove deficiencies in the welfare system, basic reforms are needed. Criteria for qualification, as well as levels of support per recipient, should be uniform nationally. Incentives to work are needed and so are manpower services to implement the shift from welfare roll to payroll.

This Administration's proposals for welfare reform will go far toward alleviating the deficiencies in current welfare programs and eliminating the discrepancy in levels of support for eligible rural people. Rural people would receive an estimated increase in welfare benefits of about 50 percent, compared with 18 percent for urban people, with enactment of this Administration's proposed welfare reform (H. R. 1). 10/

Table 4. Welfare Payments and Recipient Levels, Selected States, 1970

State	Incidence of poverty 1969 1/ (Percent)	Percent rural 1970 2/ (Percent)	Percent of population receiving welfare 3/ ((Percent)	Percent of poverty population receiving welfare 4/ (Percent)	Welfare payment per recipient April, 1970 5/ (Dollars)	Total assistance payments, 1970 6/ Percent Federal funds	Total assistance payments, 1970 6/ State and Local funds as percent of personal income, 1968 7/
------ FIVE STATES WITH HIGHEST INCIDENCE OF POVERTY IN 1969 -------							
Mississippi	34.9	55.5	9.7	27.8	28.70	82.5	0.34
Alabama	24.7	41.6	7.6	30.8	39.92	78.5	0.48
Louisiana	22.2	32.0	9.8	44.1	37.87	73.3	0.61
Arkansas	21.1	50.0	6.2	29.4	45.19	79.4	0.40
Florida	20.5	19.5	4.4	21.5	31.70	71.1	0.25
Total	23.2	34.3	7.0	30.2	35.93	75.9	0.39
------ FIVE STATES WITH LOWEST INCIDENCE OF POVERTY IN 1969 -------							
Connecticut	5.7	22.6	3.4	59.7	69.95	44.1	0.77
Utah	5.9	19.6	4.2	71.2	48.19	66.6	0.50
Wisconsin	6.5	34.1	2.4	36.9	65.33	50.6	0.81
Hawaii	6.7	16.9	4.0	59.7	65.77	42.5	0.95
Massachusetts	6.7	15.4	5.1	76.2	76.82	45.5	1.61
Total	6.4	22.8	3.8	59.4	70.69	47.1	1.10
United States	12.3	26.5	5.4	43.9	55.53	51.8	0.94

1/ Statistical Abstract of the United States, 1971, Table 516.
2/ Statistical Abstract of the United States, 1971, Table 17.
3/ Population from: Statistical Abstract of the United States, 1971, Table 24: Number of welfare recipients from Security Bulletin, Table M-26, Sept. 1970.
4/ Represents the percentage of total people on OAA, APTD, AB and AFDC in April 1970 divided by the percentage of the population in poverty in 1969. It assumes the incidence of poverty in 1969 and 1970 are equal.
5/ Weighted average of payment levels of OAA, APTD, AB and AFDC.
6/ Dept. of Health, Education and Welfare, "Sources of Funds Expended for Public Assistance Payments Calendar Year Ended Dec. 31, 1970", NCSS Report F-1.
7/ Personal income from Statistical Abstract of the United States, 1971, Table 496.

RECENT CHANGES IN THE ALLOCATION OF FEDERAL OUTLAYS IN RURAL AND URBAN AREAS

An examination of Federal outlays by selected categories for fiscal years 1970 and 1971 reveals that the number of categories which increased their outlays for rural America more than doubled the number of those categories which decreased their outlays for rural America. The data are in appendix A.

Programs of the Department of Agriculture, Department of Interior, and Economic Development Administration of the Department of Commerce have rural orientation, as indicated by the percentage of total outlays allocated to rural counties.

Other agency programs with a greater ratio of outlays to rural areas than the ratio of rural to urban population include the Department of Transportation, Atomic Energy Commission, Small Business Administration, and parts of Health and Education and Welfare (Headstart and Follow Through) Elementary and Secondary Education, Social Security and Rehabilitation).

In total, Federal outlays are allocated to urban and rural areas approximately in relation to urban and rural populations.

Each agency or department program has target groups or objectives tending to influence the rural or urban orientation of outlays. As indicated elsewhere in this report, social or human resource program services should be allocated equitably among eligible individuals, regardless of place of residence (rural or urban). The following tabulation indicates that significant improvements in the proportion rural to total outlays for these kinds of programs occurred in FY 1971, as compared with FY 1970:

Programs	Percent of Total Outlays to Rural Areas FY 1970	FY 1971
General health services	21.5	22.4
Manpower Training and Adult Education (HEW)	14.6	16.2
Vocational education	16.9	22.0
Manpower Training (USDL)	28.7	28.8
Office of Economic Opportunity	30.8	31.5

Although significant improvements have been made in the delivery of Federal program services to rural people, some further progress is needed to provide rural people with an equitable share of human resource program services. This is why Congress should give priority to this Administration's proposals for welfare reform; health legislation; and revenue sharing for education, manpower training, and rural development.

CONCLUSIONS AND RECOMMENDATIONS

Overall, Federal outlays to urban and rural areas are allocated approximately in relation to urban and rural populations. Disparities exist, however, in particular program areas. Some rural areas experienced significant increases in population and income in the past decade, and many did so without the stimulus of added Federal aid. Others declined in population and income in spite of continued Federal spending in those areas.

NEED FOR CHANGE

This indicates the need for a fundamental change in the way government approaches the challenge of rural development. There must be less Federal and more State and local leadership and control of efforts in rural development. Instead of more Federal money to intensify current programs, Federal funds now available need to be free from the present entangled and inhibiting restrictions.

KEYS TO SUCCESS

This Administration's revenue sharing proposals, reorganization proposals, health program recommendations, proposed welfare reform, and rural credit recommendations are the keys to successful economic and social development of rural areas.

The recommendations include broadening and expanding rural credit payments to include guaranteed and insured loans for community facilities, and establishmentof industrial and commercial job-creating facilities in rural areas. A billion-dollar authorization of new money for expanded rural credit is proposed, most of which would be earmarked for commercial and industrial loans.

Adequate levels and kinds of government or government-assisted services to rural people cannot be attained without strong and growing rural economies. Strong local economies and adequate levels of income for residents are necessary foundations for achieving the housing standards, educational levels, health care, nutritional standards, and levels of other publicly supported services which we deem desirable.

Detailed recommendations of this Administration are contained in the Special Message to the Congress on Rural Development of February 1, 1971, the State of the Union Message, the Budget for Fiscal Year 1973, and in various preceding messages and communications. The key recommendations are incorporated in proposed legislation now before the Congress. The time for action on these proposals is now.

Appendix A

Federal Outlays for Selected Programs in Fiscal Years, 1970 and 1971, Total and Proportion Applicable to Rural Areas 1/

Agency and program	Fiscal year 1970			Fiscal year 1971		
	Total outlays	Rural outlays		Total outlays	Rural outlays	
	Amount	Amount	Percent of total 2/	Amount	Amount	Percent of total 2/
	Million Dollars	Million Dollars	Percent	Million Dollars	Million Dollars	Percent
Department of Agriculture						
Price and Income Support	6,360.7	5,545.4	87.2	6,080.9	5,305.4	87.2
FHA Farm Loans	639.0	601.1	94.1	692.4	656.1	94.8
Rural Housing	793.8	709.1	89.3	1,399.0	1,230.1	87.9
Rural Water and Waste Disposal Systems	190.2	173.6	91.3	305.8	278.9	91.2
Rural Electric and Telephone Service	468.5	433.1	92.4	486.8	447.8	92.0
Watershed Development	99.8	68.2	68.4	126.9	80.5	63.4
Soil Conservation (Inc. REAP)	351.9	287.9	81.8	355.1	289.7	81.6
Direct Food Distribution	659.6	299.6	45.4	764.0	391.0	51.2
Food Stamp	576.8	300.0	51.9	1,567.0	654.5	41.8
School Food and Milk	296.8	153.6	51.7	718.4	350.6	48.8
Other USDA (Market regulation, research, P.L. 480, etc.)	2,484.5	599.6	24.1	2,562.3	576.0	22.5
Department of Commerce						
Economic Development	220.2	174.0	79.0	211.6	151.8	71.8
Other USDC	557.8	62.9	10.9	709.6	54.6	7.7

See footnotes at end of table.

Appendix A (Continued)

Agency and program	Fiscal year 1970			Fiscal year 1971		
	Total outlays	Rural outlays		Total outlays	Rural outlays	
	Amount	Amount	Percent of total 2/	Amount	Amount	Percent of total 2/
	Million Dollars	Million Dollars	Percent	Million Dollars	Million Dollars	Percent
Department of Defense						
Contracts	33,911.4	6,842.8	20.2	33,051.1	6,594.0	20.0
Pay and Retirement	23,742.0	7,362.4	31.0	26,317.8	8,518.6	32.4
Department of Health, Education and Welfare						
Health Programs:						
Manpower Training and Institutional Support	603.9	99.4	16.5	581.0	70.8	12.2
Research, Development and Demonstration	743.7	119.4	16.1	664.2	96.2	14.5
Construction of Facilities	403.8	126.0	31.2	149.9	47.7	31.8
Food and Drug	57.0	1.3	2.2	68.3	2.0	3.0
Other	634.8	136.8	21.5	800.2	179.5	22.4
Subtotal 3/	2,443.2	482.9	19.8	2,263.6	396.2	17.5
Education Programs:						
Head Start and Follow Through	406.6	173.8	42.7	389.8	171.4	44.0
Elementary and Secondary Education	2,122.6	891.0	42.0	2,323.3	910.5	39.2
Higher Education	999.5	314.2	31.4	927.7	316.9	34.2
Vocational Education	370.8	62.5	16.9	118.0	25.9	22.0

See footnotes at end of table.

Appendix A (Continued)

Agency and program	Fiscal year 1970			Fiscal year 1971		
	Total outlays	Rural outlays		Total outlays	Rural outlays	
	Amount	Amount	Percent of total 2/	Amount	Amount	Percent of total 2/
HEW, Education Programs: (Cont'd)	Million Dollars	Million Dollars	Percent	Million Dollars	Million Dollars	Percent
Manpower Training and Adult Education	207.1	30.3	14.6	515.5	83.6	16.2
Library Facilities and Services	60.0	13.4	22.3	68.7	13.3	19.4
Other	282.8	49.0	17.3	352.5	68.4	19.4
Subtotal	4,449.4	1,534.1	34.5	4,695.4	1,590.0	33.9
Social Security and Welfare:						
Social Security	35,091.7	13,670.6	39.0	41,232.7	16,173.7	39.2
Public Assistance	8,195.6	3,170.5	38.7	10,476.9	3,764.3	35.9
Child Welfare and Juvenile Delinquency	91.7	32.0	34.9	81.5	27.7	34.0
Rehabilitation	545.9	258.5	47.4	616.8	298.1	48.3
Other	175.9	30.5	17.3	246.6	27.9	11.3
Subtotal	44,100.8	17,162.1	38.9	52,654.5	20,291.7	38.5
Department of Interior						
Recreation, Sport Fishery, Wildlife and Parks	190.2	105.0	55.2	296.6	163.2	55.0
Water Resources and Power	437.1	356.3	81.5	389.4	282.5	72.5
American Indians	329.6	247.7	75.2	410.9	323.4	78.7
Other (minerals, public Lands, etc.)	228.3	116.2	50.9	242.0	120.7	50.0

See footnotes at end of table.

Appendix A (Continued)

Agency and program	Fiscal year 1970			Fiscal year 1971		
	Total outlays	Rural outlays		Total outlays	Rural outlays	
	Amount	Amount	Percent of total 2/	Amount	Amount	Percent of total 2/
	Million Dollars	Million Dollars	Percent	Million Dollars	Million Dollars	Percent
Department of Housing and Urban Development						
Housing	10,057.9	2,166.1	21.5	12,040.7	2,789.1	23.2
Urban Development	1,649.2	466.3	28.3	1,736.1	416.3	24.0
Department of Justice						
Community Relations and Law Enforcement	269.7	38.8	14.4	430.3	59.2	13.8
Department of Labor						
Manpower Training and Employment	1,581.4	453.9	28.7	1,761.8	507.1	28.8
Unemployment and Injury Compensation	601.3	211.0	35.1	922.5	310.5	33.7
Department of Transportation						
Highway Programs, Coast Guard Marine, Harbor and Shore Service	5,590.6	2,580.0	46.1	5,434.9	2,587.2	47.6
Selected Independent Agencies						
Office of Economic Opportunity	728.3	224.2	30.8	838.3	264.0	31.5
Railroad Retirement Board (social insurance for railroad workers)	1,710.1	718.0	42.0	2,031.8	859.5	42.3
Small Business Administration	829.5	380.0	45.8	1,307.8	525.6	40.2

See footnotes at end of table.

Appendix A (Continued)

Agency and Program	Fiscal year 1970			Fiscal year 1971		
	Total outlays	Rural outlays		Total outlays	Rural outlays	
	Amount	Amount	Percent of total 2/	Amount	Amount	Percent of total 2/
Selected Independent Agencies (Continued)	Million Dollars	Million Dollars	Percent	Million Dollars	Million Dollars	Percent
Veterans Administration						
Loans	4,075.9	758.4	18.6	4,508.4	866.6	19.2
Medical Services and Facilities	1,859.2	447.8	24.1	2,126.1	512.1	24.1
Training	1,032.3	361.3	35.0	1,665.7	581.0	34.9
Other (Pensions, ins., etc.)	6,443.3	2,303.0	35.7	6,916.2	2,467.0	35.7
Total, selected programs	159,960.3	54,726.4	34.2	178,021.7	61,492.5	34.5

1/ Numerous problems occur in making year-to-year comparisons of outlay data for specific programs of the Federal agencies. Changing priorities among agency programs from year-to-year can cause fluctuations in outlay levels for individual programs. Also, new activities, or recombination of old activities for purposes of reporting outlays, may create problems of attaining comparability in program designations for purposes of comparing outlays for one year with those in another year. In years of severe budgetary restraints, programs administratively more manipulative in levels of funding will absorb more of the pressure on an agency regardless of the previously established priorities among programs. Procedures for allocating total outlays among the counties presumably are changed with methodological improvements, and such improved techniques are not applied to adjust the allocation of outlays in preceding years. When this process occurs, the year-to-year levels of rural outlays are non-comparable. A great deal of variability exists among agencies, and among programs with agencies, in procedures for allocating total outlays among counties. For these reasons, considerable caution should be exercised in comparing FY 1970 and FY 1971 outlays.

2/ Percentages computed prior to rounding outlays to millions of dollars.

3/ Individual items may not add to subtotals due to rounding.

Appendix B.

FOR RELEASE AT 12 NOON (EST) February 1, 1972

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

RURAL DEVELOPMENT MESSAGE

SUMMARY STATEMENT

To help improve the quality of life in the American countryside, I am today presenting a series of proposals designed to marshal more effectively the energies of the private sector and of government at all levels in a cooperative program of rural development.

THE MESSAGE IN BRIEF

In his Message the President calls for a new approach to the revitalization of rural areas through:

-- More control at the State and Local level.
-- Improved planning.
-- More adequate public and private resources.
-- Helping the Farmer and protecting the environment.

He then outlines four major proposals to carry out this approach:

1. Department of Community Development

Under the revised plan for executive reorganization, the Department of Agriculture would remain as a separate department focusing on the needs of farmers. But a number of present Department of Agriculture development functions would be moved to the new Department of Community Development:

-- the Farmers Home Administration loan and grant programs for rural community water and sewer systems and for rural housing;

-- the Rural Electrification Administration loan programs for electric and telephone systems;

-- the recently established Rural Telephone Bank;

-- research programs related to rural community development conducted by the Economic Development Division of the Economic Research Service;

-- the programs of the recently established Rural Development Service.

2. Rural Community Development Revenue Sharing

Rural Development Sharing Payments - The Secretary of Agriculture would make payments to states, Puerto Rico, the Virgin Islands and Guam from appropriations made for rural development revenue sharing. The amount of payment which each state is entitled to receive is determined by a formula based upon:

-- rural population;

-- rural per capita income; and

-- change in rural population of the state.

The payments are made to the states by the Secretary at such intervals and in such installments as he may determine.

Hold Harmless Provision - Each recipient is entitled to expend its payments for any program or activity which directly benefits the residents of one or more rural areas within the state.

Rural Area Definition - Rural areas are defined as counties of less than 100 persons per square mile or are not included within a Standard Metropolitan Statistical Area. About 90% of the U.S. land area and one-third of the total U.S. population would be eligible. Counties eligible for rural special revenue sharing expenditures exceed 2800.

Source of Funds

	IN MILLIONS
NEW MONEY	$179 million
COMMERCE	
Title V Regional Commissions	$40
Economic Development Administration	$216
APPALACHIAN REGIONAL COMMISSION	$302
AGRICULTURE	
Cooperative Extension Service	$154
Rural Environmental Assistance Program	$140
Rural Water and Waste Disposal Facilities Grants	$42
Forestry Assistance	$26
Great Plains Conservation Program	$12
Water Bank Program	$10
Resource Conservation & Development Program	$7
Tree Planting Assistance	$1
TOTAL	$1.1 billion

Administration

Initially, the Secretary of Agriculture will administer Rural Community Development Special Revenue Sharing, but with the creation of the proposed Department of Community Development, that Department would administer both Rural and Urban Community Development Special Revenue Sharing.

Planning Requirements

As a condition of receiving funds under the program, each state would be required to prepare and file with the Secretaries of Agriculture and HUD a statewide development plan outlining spending intentions for programs in metropolitan, suburban, smaller city and rural areas alike. The plans would not require Federal approval. The plans would be developed by the governor in consultation with multi-jurisdictional planning districts throughout the state, composed of elected officials, and an advisory panel consisting of an elected official from each planning district. An alternative consultation process can be suggested by the states.

Other Provisions

-- There are no matching requirements for rural revenue sharing payments.

-- The proposal does not include a maintenance of effort requirement.

-- The legislation requires the states to use such accounting procedures and make such reports as the Secretary may require.

-- The requirements of Title VI of the Civil Rights Act of 1964 which prohibit discrimination in federally-assisted programs would be made specifically applicable to rural revenue sharing payments.

-- The effective date is July 1, 1973.

3. Rural Development Credit

State Allocations - The Secretary of Agriculture would be authorized to make loan guarantee allocations to states to be used under the direction of the governor and in accordance with a state plan. The amount of guarantee authorization each state is entitled to receive is determined by the Rural Revenue Sharing formula.

Eligible Areas - The definition of eligible rural areas is the same as that for Rural Revenue Sharing (see above).

Governor's Responsibility - Eighty percent of the loan program would be administered by the governor. The remaining 20% would be administered by the Secretary of Agriculture. Governors would determine project selection in accordance with the state plan. The governors also would certify to the Secretary of Agriculture:

-- the eligibility of the applicant and the project;

-- the financial soundness of the loan, and

-- that credit is not otherwise available.

Loan Purposes - Sixty-five percent of the loans would be for commercial and industrial purposes to businesses which are unable to obtain credit elsewhere. Thirty-five percent of the loans would be for communities which are unable to obtain credit elsewhere to finance facilities such as water and sewer systems, industrial parks, community centers and related items which would enhance the opportunities for employment.

Loan Types - The majority of the loans (75%) would be originated and serviced by banks and other lenders and guaranteed by the Federal Government. Up to 80% of the project costs for business loans and up to 100% of the project costs for community facility loans would be permitted. In order to insure that the private lender retains an economic interest, the federal guarantee would cover only 90% of the loan.

No more than 25% of the loans could be handled by the "insured" loan procedure whereby the Farmers Home Administration would originate and service the loan.

Interest Rates - Interest rates would be set in accordance with a formula calculated by the Secretary of the Treasury taking into account the market interest rates on comparable loans.

Funding - $1.3 billion would be authorized for the first year beginning July 1, 1973. Sixty-five percent or $845 million would be for business loans and $455 million for community facility loans.

Farm Loan and Technical Improvements - The message proposes a number of additional changes to improve the effectiveness of ongoing Farmers Home Administration loan programs:

-- to permit an appraisal on market value, in accord with customs of the locality;

-- to raise farm operating loan ceilings from $35,000 to $50,000;

-- to increase Agricultural Credit Insurance Fund ceilings on holdings from $100 million to $500 million;

-- to convert several of the existing loan programs from a direct to an insured basis.

4. Rural Environment

Long-Term Contracts - The message proposes to authorize the Secretary of Agriculture to enter into long-term contracts up to ten years, with land owners, operators and occupiers in watershed project areas. The contracts would be based on conservation plans developed in cooperation with the conservation districts concerned, and applications for assistance would be made to the districts. This authority would accelerate establishment of land treatment and speed up scheduling of structural works of improvement.

Watershed Projects - The message proposes Federal cost-sharing for watershed works of improvement needed to improve water quality, primarily of water storage capacity in reservoirs for regulation of streamflow. Now, cost-sharing is authorized for mainstream development under other Federal programs, but it is not authorized in upstream works of improvement under P. L. 566.

Resource Conservation and Development Projects - The bill would authorize the Secretary of Agriculture to furnish technical and cost-sharing assistance to public agencies and organizations in carrying out plans for water quality management in Resource Conservation and Development Projects. Measures and facilities would consist primarily of water storage capacity in reservoirs for regulation of streamflow.

Land Inventory - The bill provides that the Secretary of Agriculture would carry out a program to inventory and monitor soil, water, and related resource conditions and would issue a land inventory report at five-year intervals. The program would include surveys of erosion and sediment pollution damages, land use changes and trends, and degradation of the environment resulting from improper use of soil, water and related resources.

Footnotes

1/ Rural areas are defined as all nonmetropolitan counties plus those metropolitan counties which have a population density of less than 100 persons per square mile.

2/ "Outlays" are the most meaningful measure of program impact as reported to OEO by the various Federal agencies. For loan programs, the measure reported would likely be new loan commitments; budget outlays in this instance, except in the case of heavily subsidized guaranteed loans or in the case of direct loans, would tend to be minimal. For other types of programs -- administrative expenses or grants-in-aid -- the measure reported would likely correspond closely to budget outlays.

3/ Excludes manpower training and adult education administered by HEW.

4/ John M. Zimmer, "Expenditures for Public Elementary and Secondary Education in Counties Classified by the Relative Poverty Status of their Rural Population", J. Farm Econ., Vol. 49, No. 5, Dec. 1967, p. 1204.

5/ U. S. Bureau of the Census, Current Population Reports, Series P-23, No. 37, "Social and Economic Characteristics of the Population in Metropolitan and Nonmetropolitan Areas, 1970 and 1960".

6/ Includes health programs of HEW and VA. Except for construction of facilities, levels of rural outlays were higher in FY 1971 than in FY 1970.

7/ The indicated percentages or rates were taken directly, or estimated, from information contained in the following: Department of Health, Education and Welfare, National Center for Health Statistics, Series 10, Number 9, and Series 11, Number 36 (1970); and, the Department of Labor, Bureau of Labor Statistics, "Changes in Urban America", No. 353 (1969).

8/ Includes only the public assistance programs of HEW.

9/ A statistical analysis revealed this general relationship. For example, per capita income, percent of population rural, percent of population in poverty, South or non-South, and percent of population in welfare category explained 75 percent of the variation in AFDC payments per recipient in April 1970 among States, and 60 percent of the variation in all welfare payments (except general assistance) per recipient in April 1970 among States.

10/ Fred Hines, "Effects on Welfare Reform on the Rural Poor", Agricultural Finance Review, August, 1971.